



Community Choice Aggregation  
Task Force Meeting Notes

NUMBER:

**CCA-LC 16-03**

**MEETING: CCA TASK FORCE MEETING**

Chaired by Howard Choy, ISD

**DATE:** FEBRUARY 24, 2016

**TIME:** 10:00 AM – 12:00 PM

**LOCATION:** 602 E. HUNTINGTON  
DR., MONROVIA, CA 91016

**GoToMEETING:**

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M/JOIN/697828077](https://global.gotomeeting.com/join/697828077)

**DIAL IN:** (872) 240-3412;

**ACCESS CODE:** 697-828-077

**MEMBERS IN ATTENDANCE:**

Cynthia Jarvis, City of Alhambra  
Caitlin Sims, City of Beverly Hills  
Joe Susca, City of Culver City  
Mark Sheldon, City of Huntington Beach  
Leon Foster, City of Long Beach  
Dennis Burke, City of Long Beach  
Sona Coffee, City of Manhattan Beach  
Benjamin Lucha, City of Palmdale  
Christian Horvath, City of Redondo Beach  
Diana Mahmud, City of South Pasadena  
Samuel Golding, Community Choice Partners  
Eldon Cotton, Cotton and Associates  
Matt Skolnik, County of Los Angeles, Fourth District  
Howard Choy, County Office of Sustainability  
Ana E. Rosales, County Office of Sustainability

John Phan, County Office of Sustainability  
Tommy Faavae, IBEW  
Joe Sullivan, IBEW/ NECA  
Terry Dipple, Las Virgenes-Malibu COG  
Gregory Nelson, LASD  
Lillian Burkenheim Silver, LBS Consulting  
Jim Wilson, NECA  
Marisa Creter, San Gabriel Valley COG  
Kim Fuentes, South Bay Cities COG  
Ken Smokoska, South Bay Clean Power  
Joe Galliani, South Bay Clean Power  
Leah Bissonette, The Energy Biss  
Alex Turek, UCLA Luskin Center for Innovation  
Tulsi Patel, West Side Cities COG

The 3<sup>rd</sup> Los Angeles County Community Choice Aggregation (CCA) Task Force meeting occurred on Wednesday, February 24, 2016 at the Upper San Gabriel Valley Municipal Water District Office. This meeting consisted primarily of presentations by the Consultant Team. The PowerPoint slides of each presentation are attached to these minutes. A brief description of each presentation is provided below:

**I. LA County Updates**

LA County Department of Public Works (DPW) and Department of Regional Planning (DRP) recently created a task force called the Solar Energy Action Committee. They gathered stakeholders together to figure out how the County and some local jurisdictions will respond to recent legislation mandating cities to approve permits on solar installation projects within a certain period. Also, they announced they will modify and streamline the County's permitting process for utility scale distributed generation, which is significant to CCA and distributed

generation opportunities. Howard Choy reached out to both DWP and DRP to participate in their effort.

## **II. Technical Report Status Updates (EES Consulting)**

EES Consulting (EES) is developing the Business Plan and Feasibility Study for the Countywide CCA. To date, EES has received and analyzed two of three batches of energy consumption data from Southern California Edison (SCE). EES' President, Gary Saleba, was provided time to discuss the scope of the Business Plan, schedule, current status, and benefits of a Countywide CCA.

The foundation of the Feasibility Study is to determine whether or not a CCA could offer a better quality product that is less expensive than the incumbent Investor Owned Utility (IOU). To achieve this goal, first, EES will develop a 20-year business plan for the Countywide CCA, including the estimated forecasts of their customer rates. Second, EES will research options for power supply, which is the primary driver for customer rates. Third, EES will develop a budget necessary to start-up and operate the CCA through a comprehensive organizational structure design. Lastly, EES will compare these three items to SCE's long-term business plan and verify that the Countywide CCA could offer a better product at competitive rates.

After the Feasibility Study is completed, EES will identify financing options, including turnkey CCA program providers and public agency lenders. The Countywide CCA requires initial working capital to launch, operate, and procure power supply. Marin Clean Energy (MCE) and Sonoma Clean Power (SCP) received financing and both paid off their respective loans within a year or two of operation. EES will develop a rate design method that would recover the Countywide CCA's costs while maintaining competitiveness. Although MCE and SCP designed their customer rates to be 5%-10% less than Pacific Gas and Electric (PG&E), this method may not work for the Countywide CCA. Then EES will perform a sensitivity analysis to determine whether or not the Countywide CCA would still generate revenues despite changes in power supply costs or operation budget. Lastly, EES will perform cash flow analysis to determine the amount of working capital required to launch and operate the Countywide CCA.

Please refer to the attached presentation to learn more about EES' analysis of the available data.

Since this meeting, EES has received the last and final batch of data from SCE on February 25, 2016. EES is on schedule to deliver the draft Feasibility Study for the Task Force's review and comments.

## **III. High-Level Schedule**

Below is the updated high-level schedule for the Countywide CCA. We plan to deliver the draft Feasibility Study, Business Plan, and JPA document to the Task Force to review and comment. The goal is still to launch the Countywide CCA in October 2016.

Los Angeles County Community Choice Aggregation Summary Milestone Schedule																		
Task Name	2015			2016												2017		
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Task Force Meetings	◆		◆		◆		◆		◆		◆		◆		◆		◆	
Acquire SCE Data		◆ Order	◆ 1st	◆ 2nd	◆ Final													
Feasibility Study and Report						Draf	◆	◆ Final										
Business Plan						Draf	◆	◆ Final										
JPA Governing Documents																		
Implementation Plan/Statement of Intent								◆ Submit to CPUC										
JPA Formation																		
Program Launch																		
Marketing and Outreach																		
Negotiate Financing/Line of Credit																		
Contract for Wholesale Energy Services								RF	◆		◆ Contracts							
CPUC Certification and Launch Date Set																		
Negotiate Power Contracts																		
Finalize Cost of Service and Rates																		
Initial Opt-Out Notices																		
Customer Enrollment/Final Opt-Out Notices																		
Limited Service Begins																		

#### IV. Regulatory Updates (Community Choice Partners)

In the next 15 years, the energy industry in California will see a lot of changes due to Assembly Bill 117, including an emergence of a new power market emphasizing renewable energy, improvements to the electrical infrastructure, and advancements in power storage. The amount required to improve the power market and power grid in the state is an estimated \$125 billion in the next 14 years plus integration costs. So far, CCAs have been divorced from playing a strong role in these discussions and processes. However, LA County is too large not to engage substantively with regulators.

The County is pursuing a strategy that will allow CCAs to recover costs for necessary investments and assume broader responsibilities for stabilizing the power grid. This strategy requires more sophisticated operation on the part of the CCA; the goal is to match or exceed SCE's operation.

In any restructured market, where customers can receive electricity commodity service from an entity that is not a distribution utility, there has to be a "provider of last resort", which is an entity that is legally responsible to ensure all customers receive their power on a reliable and consistent basis. In the event a power marketer, energy server provider, or CCA exit the power market and default their customers back to the IOUs, the "provider of last resort" must ensure that the grid remains stable. They do this through careful planning and cost recovery mechanisms that allow them to pass the cost of necessary investments to all customers regardless whether they receive service from the IOUs, CCAs, or energy service providers. One of those mechanisms is the Cost Allocation Mechanism (CAM), which was created in 2005 to recover only reliability related investments. For example, if an IOU builds a natural gas peaker plant, then all customers pay a certain amount to keep the plant online for the duration of the contract. Any money that the plant generates would decrease the minimum amount that customers pay. This means the IOUs still play a role in the long-term procurement decisions that affect CCA customers.

Another major non-bypassable charge is called the Power Charge Indifference Adjustment mechanism (PCIA). When a customer of an IOU decides to purchase their energy from a CCA, the IOU charges that customer various fees for their departure from IOU service. Although the

IOU's customer base has decreased and it needs less power, the IOU is still responsible for the cost of fulfilling the energy it bought when its customer base was larger. The IOU sells the excess power it has on the open market. The IOU can recover the difference between the contract price paid for the energy and the market price at which it sells the excess energy. The price difference is charged to the departed customers as the PCIA.

Unfortunately, there are significant unknowns because the PCIA calculation is complicated, the regulatory language is limited, and data to replicate the calculation is confidentially held by the IOUs. The County has an opportunity to express its concerns at the upcoming PCIA workshop at the California Public Utilities Commission (CPUC). The County is arguing that since the PCIA is an approximation, it will not fundamentally work for a CCA that is 40% of SCE's portfolio. Any inaccuracies will result in very large costs, which will put financial strain and uncertainty on either the Countywide CCA or SCE. Second, at some point soon, CCAs will have to purchase power from assets directly under contract or owned and operated by the IOUs, however there is no regulated mechanism in place.

The County's filing recommends to the CPUC to allow the CCAs to become the "provider of last resort" for their respective territories, receive cost recovery mechanisms similar to the IOUs, and assume full control for all power planning and investments in their territories. At that point, CCAs can unbundle the IOUs' portfolios and transfer certain contracts directly to the CCAs. This would absolve the need to perform the PCIA calculations because the CCAs are taking the contracts and passing the costs to their customers.

There have been a number of discussions leading up to this workshop. MCE has speculated that CCAs could assume non-bypassable charge authority. In a whitepaper report, the CPUC acknowledges the potential bigger role for CCAs. Both MCE and PG&E have requested to revisit the topic on the requirements for the "provider of last resort." Lastly, the state legislators are recognizing the concerns and issues expressed by the County.

## **V. South Bay Clean Power Task Force Updates**

The Task Force appreciates the work that South Bay Clean Power (SBCP) is doing to generate interest in CCA in their region. It encourages the other COGs to communicate to their constituents about CCAs, after this meeting.

In a response to Manhattan Beach 2025, which is a citywide initiative to utilize 100% renewable energy in 10 years, Joe Galliani and his staff created the South Bay Clean Power (SBCP) in March 2014. SBCP utilized available CCA reports and lessons learned by MCE and SCP to persuade 13 cities in the South Bay Cities Council of Governments (SBCCOG) and the West Side Cities Council of Governments (WSCCOG) to adopt resolutions to participate in a Feasibility Study.

SBCP developed four criteria for a regional CCA, including the reduction of greenhouse gasses, utilization of 100% renewable energy, prohibition of category 3 unbundled Renewable Energy Credits (RECs), and the development of distributed generation. Benefits of distributed generation include infrastructure build out, large-scale jobs creation, local investments, local power generation, and local career opportunities. SBCP reached out to the local chapter National Electrical Contractors Association (NECA) and the International Brotherhood of

Electrical Workers (IBEW) to partner and help design a CCA during the design phase. Since then, SBCP has been tirelessly working with the labor unions to gain their support.

The Board of Supervisors and the County Office of Sustainability (COS) requested SBCP to assist in mobilizing and consolidating organized labor support, organizing support among academia, coordinating support among local Nongovernmental Organizations, and assisting with the development of a labor plan, which shows the positive jobs creation benefits of a Countywide CCA. As a response, SBCP created four advisory committees to develop executive summary reports for the aforementioned tasks to accompany with the Feasibility Study. Each executive summary report will include lessons learned, best practices, and recommendations for the Countywide CCA.

NECA represents over 300 electrical contractors since 1938. The 300 electrical contractors employ nearly 8,000 electrical workers in LA County. It has two training facilities totaling 1,400 apprentices and 6,000 continuing education journeymen and wiremen. NECA actively recruits and trains electricians and veterans.

A decade ago, NECA saw the burgeoning energy revolution and the associated benefits to the industry and customers. It heavily invested and trained its contractors to become energy solutions providers. This specialty includes energy efficiency, bench marking, energy auditing, building envelope, and energy and mechanical solutions. Similarly, NECA acknowledges associated benefits of CCA, particularly sustainable careers creation. NECA has been sharing its knowledge and experience to create local sustainable careers and advising on energy policies, such as financing, to SBCP.

NECA played an active role assisting the City of Lancaster launch the first CCA in Southern California, Lancaster Choice Energy (LCE). They worked extensively to satisfy SCE's goals before launching the CCA program.

## **VI. General Questions and Answers**

How far along are you in completing the Feasibility Study?

We're in the middle of analyzing the energy consumption data from SCE. It's a huge amount of information so we're synthesizing it down to determine how much energy a CCA would need. We're still on schedule to produce a draft of the Feasibility Study in 6-8 weeks.

Can you describe your relationship with SCE during this process?

So far, our interactions with SCE have been positive. The format of the data is flexible and compatible with our technical analysis models. SCE has been supportive of the County and our pursuit of CCA.

Howard Choy believes SCE will not oppose CCA because it is moving toward a business model emphasizing installation and maintenance of the power grid. SCE would want to work with a CCA that can easily procure more renewable energy at the wholesale level because it doesn't need to go through a regulatory proceeding. SCE would want to work with a CCA that can design

retail rates and encourage demand-side management programs that can benefit SCE's grid at a local level.

Can you elaborate more on SCE's decision to shift from power generation to transmission?

Power generation has been a hassle and headache for SCE because it is not making as much money. There are more risks with power generation due to the volatility of oil prices and SCE's high cost power contracts, established decades ago. Transmission is a fairly stable and reliable business with a higher return for SCE. It recently requested \$12 billion investment from the CPUC to improve the infrastructure.

Did the speaker discuss about the phase in strategy?

Yes, we believe a more viable initial phase would be County municipal accounts in unincorporated LA County. According to EES, the unincorporated LA County consumes an average of ~60 megawatt per year.

Will each city have one representative on the JPA?

The JPA will be an agenda topic at the next Task Force meeting. We have distributed MCE and SCP's JPA documents for your reference. You may notice that both have similar language. You are invited to share your comments to John Phan, [jphan@isd.lacounty.gov](mailto:jphan@isd.lacounty.gov).

Since we are discussing more in depth topics, the Task Force will meet on a monthly basis.

30% of SCE customers in LA County participate in the CARE program. What are the differences between the Northern California CCAs and LA County in regards to low-income customers? How does the CARE program affect the LA County CCA?

We don't have that information available however we assume there aren't as many CARE customers in MCE and SCP territories than LA County. It's beneficial to have a large customer base to pick up the discounts given to the CARE customers. EES will complete this analysis by next month.

I know you are doing an analysis for jobs creation and economic impacts but what about the negative impacts to jobs at SCE?

EES is working on an analysis for both jobs creation and jobs loss due to the CCA. SBCP is meeting with academia, such as UC Berkeley Labor Center and UCLA Labor Center, to produce independent studies on jobs loss, jobs gain, and economic impacts of a CCA in LA County. We'll have both consultant and academia reports.

The Board has changed and it will further change in a few years. The new Supervisors have supported local labor policies and local worker hiring policies. We are confident that they will support the Countywide CCA as long as it produces projects and long term sustainable careers.

What are the impacts to costs for renewable energy as demand increases?

Supply and demand affect costs of a product, however the price per unit of renewable energy is remarkably and steadily decreasing. We believe that the price for renewable energy will continually remain low despite an increase in demand.

What is the unspecified category in SCE's portfolio?

It is a nomenclature used by SCE to categorize all market purchases; it is energy mostly created by natural gas.

To what degree are you envisioning local control for the Countywide CCA?

We're developing a model for LA County to procure renewable energy at the wholesale level. We personally believe it is a bad idea to create and promote a general marketing campaign for the Countywide CCA in an area as diverse as LA County

We envision a local brand, local program, local office, and local staff performing work on behalf of the CCA in the various communities. So yes, there can be local branding, local interactions with the community, local programs, local retail rates if they can be justified on a cost of service basis.

It has been SBCP's philosophy and goal to create a buying pool similar to the Southern California Public Power Authority (SCPPA). The Countywide procurement JPA would serve four to six regional CCAs within the County, depending on the results of the Feasibility Study. Although each CCA may have different priorities, they can still share the economy of scale from a buying pool to purchase renewable energy and meet their constituents' needs.

What controls does the CCA have on the reliability and consistency of the transmission of power to the customers?

Initially, each IOU was responsible for the reliability of transmission and generation. 10-15 years ago, the California Independent System Operator (CalISO) became the balancing authority in California and they oversee the generation and transmission reliability. The reliability of transmission and generation is undertaken by the state agency called CalISO.

With the distributed generation model that SBCP is pushing, you are not as reliant on the utility model. As you build out more local infrastructure, your resiliency and security increase while your reliance on SCE's wires decrease.

Are you including cities with a municipal owned utility (MOU) in the Feasibility Study?

No, we didn't ask for those or Lancaster's load data.

Will the County's current solar installation projects affect the design and launch of the Countywide CCA?

We will look into that. The Board of Supervisors authorized COS to put solar on County municipal buildings through power purchase agreements (PPAs). We will compare the PPA

rates, CCA rates, and SCE rates to determine which model is cost effective. We believe the differences will be de minimis and will not impact the CCA.

NECA has been observing solar PPA rates. Seven years ago, solar PPA rates were \$5 per watt. Because of the current advancements in technology and economy of scale, solar PPA rates are between \$0.75 and \$0.80 per watt. Power storage is a game changer because the customers could purchase power at night, during low demand, and store it for use the next day.

Do you anticipate to recover an equivalent to a public benefit charge to pay for the CARE program and demand-side management programs?

I don't believe CCAs can collect a public benefit charge. However, MCE is currently in a proceeding to request for their proportionate share of the energy efficiency program funds from PG&E. I can ask this question to the CPUC in the near future.

If a region or COG implements a lot of local generation, what is the impact on the overall rates for the CCA?

We don't think so; the intent is for customers to pay their fair share. If one region has unique costs or savings then we want to recognize that in the rates charged by the CCA.

How would you recognize those regions?

That is a good question and we will address it in the Feasibility Study.

One thing to keep in mind is the landscape for distributed energy resources is changing and becoming more complex. In the near future, constituents in bedroom communities will buy electric vehicles and smart grid enabled appliances so we want to put the systems and expertise in place to recognize those assets to lower their rates.

At least two entities must agree to form a JPA. So who are those entities?

Any entity interested in CCA can join.

If the County is drafting the governance document and cities are invited to join the JPA, then what is the role of this Task Force?

The Task Force meets on a regularly basis to share information, issues, concerns, and feedback so the County could design a better CCA program that meet or exceed your constituents' satisfaction. The County will finalize the Feasibility Study, Business Plan, and Governance Document, with inputs from the Task Force, and then distribute the documents to jurisdictions to decide whether or not to join the JPA. However, the governance document could change depending on the situation.

If a city joins after the formation of a JPA, will it miss out on important early decisions that have long-term impacts on the CCA?

We're starting the conversation regarding governance. We sent you the MCE and SCP governance documents to review and provide feedback so we can prevent the early adopters from making all the critical decisions.

Can cities join the JPA at any time after the formation?

Yes.

Can CCAs administer energy efficiency programs?

Yes, CCAs can administer energy efficiency programs. They apply for the funding through the CPUC energy efficiency proceeding. They have to apply for a budget under the existing IOUs' public goods charge collection. In other words, the IOUs collect the public goods charge then reimburse the CCA for energy efficiency programs in its territory.

Can you send the schedule out as a separate file?

Yes, we will.

What is your vision for customer service?

The County met with the Southern California Public Power Authority (SCPPA) to see how a CCA could work with SCPPA and the suite of services they already provide to MOUs and some cities. We're looking at whom we can partner with the infrastructure in place.